

VILLAGE OF HILLMAN  
MONTMORENCY COUNTY  
STATE OF MICHIGAN

FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION  
FISCAL YEAR ENDED MARCH 31, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF HILLMAN	County MONTMORENCY
Fiscal Year End MARCH 31, 2006	Opinion Date MAY 25, 2006	Date Audit Report Submitted to State JUNE 30, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

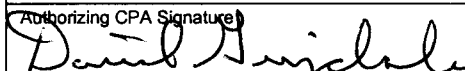
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NONE	
Other (Describe)	<input type="checkbox"/>	NONE	
Certified Public Accountant (Firm Name) QUAST JANKE AND COMPANY PC CPA'S		Telephone Number 989-892-4549	
Street Address 1010 N JOHNSON		City BAY CITY	State MI
		Zip 48708	
Authorizing CPA Signature 		Printed Name DAVID GWIZDALA	License Number 1101019683

VILLAGE OF HILLMAN  
MONTMORENCY COUNTY  
STATE OF MICHIGAN

FINANCIAL STATEMENTS  
FISCAL YEAR ENDED March 31, 2006

VILLAGE OFFICIALS

President	Myron McIntire
Clerk	Brenda South
Treasurer	Vicki Rouleau
Trustee	Wilbur Funk
Trustee	Robert Tulgetske
Trustee	Gary Rouleau
Trustee	Doris Shumaker

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# ***Quast, Janke and Company, P.C.***

*Certified Public Accountants*

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*David G. Gwizdala, C.P.A.*

*Members:*

*American Institute of C.P.A.'s*  
*Michigan Association of C.P.A.'s*

## **INDEPENDENT AUDITOR'S REPORT**

May 24, 2006

To the Village Council  
The Village of Hillman  
Montmorency County  
Hillman, Michigan 49746

We have audited the financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, which collectively comprise the Village of Hillman ("Village") as of and for the year ended March 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, business-type activities, major funds, and remaining fund information of the Village as of March 31, 2006, and the changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consist principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

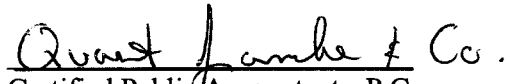
Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us

The Village of Hillman  
May 24, 2006  
Page 2

in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 24, 2006, on our consideration of internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, grants and contracts. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

QUAST, JANKE AND COMPANY

  
Certified Public Accountants, P.C.

**VILLAGE OF HILLMAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
March 31, 2006**

This annual report of the Village of Hillman presents a series of financial statements in a narrative overview and analysis of the financial activities for the fiscal year ended March 31, 2006. This analysis focuses on the Village's financial performance as a whole. Please read it in conjunction with the Village's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The assets of the Village of Hillman exceeded liabilities at March 31, 2006, by \$3,332,820. Of this amount, \$1,017,638 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's net assets increased by \$49,597 or 1.5% during the year, which is a modest increase. Of this amount the assets of our governmental activities increased \$160,306 and the assets of our business-type activities decreased by \$110,708.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

These statements are designated to provide readers with a broad overview of the Village of Hillman's finances.

The Statement of Net Assets presents information on all of the Village's assets and liabilities with the differences being reported as net assets. Increases or decreases in net assets may serve as an indicator that the Village's financial position is improving or deteriorating.

The Statement of Activities presents information of how the Village's net assets changes during the most recent fiscal year. Revenues and expenses are reported here that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Village of Hillman that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include legislative, general government, public works, recreation, and other. The business-type activities include water, sewer, and cooling pond.



VILLAGE OF HILLMAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
March 31, 2006

**REPORTING THE VILLAGE'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two kinds:

**Governmental Funds**

The Governmental Funds account for most of the Village's basic services. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending.

Governmental funds include the General Fund; Special Revenue Funds such as Major Street and UDA Grant; the Debt Service Fund; and the Capital Projects Fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed, short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. The government fund statements provide a detailed, short-term view of the Village's general government operations and the basic services it provides. The financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

The Village of Hillman adopts an annual appropriated budget for its General and Special Revenue Funds. A budgetary comparison statement has been provided herein to demonstrate compliance with the General fund

**Proprietary Funds**

The Proprietary Funds account for the Village's enterprise funds. These funds report services for which the Village charges customers for the service it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business-type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The enterprise funds include the Water, Sewer and Cooling Pond funds, all considered to be major funds of the Village. The Village of Hillman is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

**VILLAGE OF HILLMAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
March 31, 2006

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets serve over time as useful indicator of a government's financial position. The following analysis shows the changes of the Village of Hillman's total net assets at March 31, 2006 and 2005.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>ASSETS</b>						
Current and other assets	\$ 1,377,512	\$ 916,147	\$ 235,908	\$ 260,526	\$ 1,613,420	\$ 1,176,673
Capital Assets net of Accumulated Depreciation	<u>1,207,226</u>	<u>1,080,247</u>	<u>1,169,660</u>	<u>1,278,439</u>	<u>2,276,886</u>	<u>2,358,686</u>
Total Assets	2,584,738	1,996,394	1,405,568	1,538,965	3,990,306	3,535,359
<b>LIABILITIES</b>						
Current liabilities	61,497	13,459	28,989	30,677	90,478	44,136
Long-term liabilities	<u>380,000</u>	<u>0</u>	<u>187,000</u>	<u>209,000</u>	<u>567,000</u>	<u>209,000</u>
Total Liabilities	441,497	13,459	215,989	239,677	657,486	253,136
<b>NET ASSETS</b>						
Invested in capital assets net of related debt	870,226	1,080,247	960,660	1,031,939	1,830,886	2,112,186
Restricted	453,797	112,316	30,500	15,500	484,297	127,816
Unrestricted	<u>819,218</u>	<u>790,372</u>	<u>198,420</u>	<u>252,485</u>	<u>1,017,638</u>	<u>1,043,221</u>
Total Net Assets	<u>\$ 2,143,241</u>	<u>\$ 1,982,935</u>	<u>\$ 1,189,580</u>	<u>\$ 1,300,288</u>	<u>\$ 3,332,821</u>	<u>\$ 3,283,223</u>

In the case of the Village, assets exceeded liabilities by \$3,332,820 at the close of the fiscal year 2006. Net assets of governmental activities increased from the year ended March 31, 2005 by \$160,306. Net assets of the business-type activities decreased from the year ended March 31, 2005 by \$110,708. The largest portion of the Village's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Total unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements is approximately \$1 million.

The following analysis provides the changes in the net assets for the Village's governmental and business-type activities.

**VILLAGE OF HILLMAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
March 31, 2006**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>REVENUES</b>						
Charges for services	\$ 22,859	\$ 17,815	\$ 254,866	\$ 255,642	\$ 277,725	\$ 273,457
Operating grants and contributions	66,497	77,385	0	0	66,497	77,385
Capital grants and contributions	45,300	221,789	3,250	9,750	48,550	231,539
<b>GENERAL REVENUES</b>						
Property taxes	188,659	164,789	0	0	188,659	164,789
State shared revenue	60,218	68,814	0	0	60,218	68,814
Unrestricted investment earnings	45,393	31,203	8,455	3,247	53,848	34,449
Miscellaneous	<u>24,393</u>	<u>7,652</u>	<u>0</u>	<u>0</u>	<u>24,393</u>	<u>7,652</u>
<b>Total Revenues</b>	<b>453,319</b>	<b>589,446</b>	<b>266,571</b>	<b>268,639</b>	<b>719,890</b>	<b>858,085</b>
<b>PROGRAM EXPENSES</b>						
Legislative	28,146	31,482	0	0	28,146	31,482
General government	156,551	190,040	0	0	156,551	190,040
Public safety	21,474	18,112	0	0	21,474	18,112
Public works	85,954	92,409	0	0	85,954	92,409
Recreation/cultural	62,869	32,837	0	0	62,869	32,837
Sewer	0	0	155,140	115,011	155,140	115,011
Water	0	0	133,065	159,648	133,065	159,648
Cooling pond	0	0	27,095	25,727	27,095	25,727
Transfers	<u>(61,980)</u>	<u>(24,833)</u>	<u>61,980</u>	<u>24,833</u>	<u>0</u>	<u>0</u>
<b>Total Expenses</b>	<b><u>293,014</u></b>	<b><u>340,048</u></b>	<b><u>377,279</u></b>	<b><u>325,219</u></b>	<b><u>670,293</u></b>	<b><u>665,266</u></b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b><u>\$ 160,306</u></b>	<b><u>\$ 249,398</u></b>	<b><u>\$ (110,708)</u></b>	<b><u>\$ (56,580)</u></b>	<b><u>\$ 49,598</u></b>	<b><u>\$ 192,818</u></b>

There was an increase in taxable property valuation of 1,944,714 resulting in an increase in property tax revenue.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

- As the Village of Hillman completed its year, its governmental funds reported a total fund balance of \$1,311,808, which is more than the \$873,415 total fund balance at March 31, 2005. This is due in part to the sale of bonds for property purchase and infrastructure construction for the Agricultural Renaissance Zone to be completed in 2007
- The General Fund, the operating fund for the Village of Hillman, for the year ended March 31, 2006 with a \$161,851 fund balance compared to the prior year ending fund balance of \$95,495. The Village built a greater fund balance due to less expenditures for the purpose of anticipating unforeseen future expenses.
- Major Street Fund balance increased by \$12,439.
- UDA Grant Fund balance increased by \$6,960.

**VILLAGE OF HILLMAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
March 31, 2006**

- Industrial Park Fund balance increased by \$326,690. This reflects bond monies as mentioned above.

**INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS**

- The Water Fund, which accounts for the operation and maintenance of the Village's water system, for the year ended March 31, 2006 with a \$546,265 net asset balance compared to the prior year ending net asset balance of \$608,018. The decrease was due in part to painting and repairs done on the water tower.
- The Sewer Fund, which accounts for the operation and maintenance of the Village's sanitary sewer system, for the year ended March 31, 2006 with a \$453,522 net asset balance compared to the prior year ending net asset balance of \$483,207.
- The Cooling Pond Fund, which accounts for the operation and maintenance of the cooling pond used by Hillman Power, for the year ended March 31, 2006 with a \$189,792 net asset balance compared to the prior year ending net asset balance of \$209,063.

**BUDGETARY HIGHLIGHTS**

During the year ended March 31, 2006, the Village amended the budget once. The amendment was done in January 2006 to cover unbudgeted expenditures. This amendment was mainly required to cover unplanned expenditures and expenditures associated with projects that carried over from the prior fiscal year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The Village's investment in capital assets, including land, buildings and improvements, equipment, water systems, sewer systems, lighting systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to citizens. Capital assets for governmental activities totaled \$1,080,246.80 (net of accumulated depreciation) at March 31, 2006. Capital assets for business-type activities totaled \$1,262,939.05 (net of accumulated depreciation) at March 31, 2006. See the notes to the financial statements for more information about the Village's capital assets.

The major capital outlays for governmental activities during the year included office equipment, industrial park improvements, and construction work on a Grist Mill.

For business-type activities, there were no major additions.

VILLAGE OF HILLMAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
March 31, 2006

**LONG-TERM DEBT**

At year end the Village of Hillman had \$209,000 in outstanding water and sewer revenue bonds and \$400,000 in general obligation bonds. The indebtedness schedules in the financial statements show the future payments required.

**ECONOMIC FACTORS**

Our elected officials consider many factors when setting the Village's 2006 fiscal year budget. One of the most important factors affecting the budget is the State of Michigan's economy. As a result, there was a decrease in state shared revenues in the year ended March 31, 2006.

The tax levy rate for the year ended March 31, 2006 was 9.8558 (General Operating). This was the same rate as the previous year.

**CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT**

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and operating activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village of Hillman, 24220 Veterans Memorial Hwy., PO Box 96, Hillman, MI 49746.

VILLAGE OF HILLMAN  
Montmorency County, Michigan

GOVERNMENT WIDE STATEMENT OF NET ASSETS  
March 31, 2006

	Primary Government		
	Governmental Activities	Business -Type Units	Total
ASSETS:			
Cash	\$ 819,842.61	\$ 185,947.37	1,005,789.98
Delinquent taxes receivable	34,766.15	0.00	34,766.15
Other receivables	501,900.20	19,461.45	521,361.65
Internal Balances	0.00	0.00	0.00
Receivable from State	21,003.31	0.00	21,003.31
Restricted cash	0.00	30,500.00	30,500.00
Capital assets:			
Land	635,244.86	49,000.00	684,244.86
Buildings	662,074.06	0.00	662,074.06
Equipment	565,224.74	210,239.78	775,464.52
Water and sewer systems	0.00	2,890,911.12	2,890,911.12
Accumulated depreciation	(655,317.69)	(1,980,491.29)	(2,635,808.98)
Total Assets	2,584,738.24	1,405,568.43	3,990,306.67
LIABILITIES:			
Accounts payable	37,466.89	2,652.40	40,119.29
Accrued interest	0.00	3,097.88	3,097.88
Accrued expenses	1,992.14	1,238.42	3,230.56
Payable to other governments	2,038.54	0.00	2,038.54
Bonds payable-			
Amount due within one year	20,000.00	22,000.00	42,000.00
Amount due more than one year	380,000.00	187,000.00	567,000.00
Total Liabilities	441,497.57	215,988.70	657,486.27
NET ASSETS:			
Investment in capital assets net of related debt	807,225.97	960,659.61	1,767,885.58
Restricted for Streets	128,205.46	0.00	0.00
Restricted for capital projects	373,426.66	0.00	0.00
Restricted for debt service	15,164.24	30,500.00	45,664.24
Unrestricted	819,218.34	198,420.12	1,017,638.46
Total Net Assets	\$ 2,143,240.67	\$ 1,189,579.73	3,332,820.40

The accompanying notes are an integral part of the financial statements

VILLAGE OF HILLMAN  
Montmorency County, Michigan

GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
GOVERNMENTAL ACTIVITIES:				
Legislative	\$ 28,146.28	\$ 0.00	\$ 0.00	\$ 0.00
General Government	156,551.03	5,793.65	0.00	45,300.00
Public Safety	21,474.35	0.00	0.00	0.00
Public Works	85,953.76	2,113.16	66,497.42	0.00
Recreation and Cultural	62,869.02	14,952.67	0.00	0.00
Total governmental activities	354,994.44	22,859.48	66,497.42	45,300.00
BUSINESS-TYPE ACTIVITIES				
Sewer	155,140.03	79,703.68	0.00	1,750.00
Water	133,064.60	98,764.38	0.00	1,500.00
Cooling Pond	27,095.28	76,398.35	0.00	0.00
Total business-type activities	315,299.91	254,866.41	0.00	3,250.00
Total Government	\$ 670,294.35	\$ 277,725.89	\$ 66,497.42	\$ 48,550.00
GENERAL PURPOSE REVENUES:				
Property taxes				
State shared revenues				
Unrestricted Investment earnings				
Gas and Oil Royalties				
Gain (Loss) on sale of assets				
Transfers				
Total General Purpose Revenues and Transfers				
Change in Net Assets				
Net Assets at beginning of year				
Net Assets - End of Year				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (28,146.28)	0.00	(28,146.28)
(105,457.38)	0.00	(105,457.38)
(21,474.35)	0.00	(21,474.35)
(17,343.18)	0.00	(17,343.18)
<u>(47,916.35)</u>	<u>0.00</u>	<u>(47,916.35)</u>
(220,337.54)	0.00	(220,337.54)
0.00	(73,686.35)	(73,686.35)
0.00	(32,800.22)	(32,800.22)
<u>0.00</u>	<u>49,303.07</u>	<u>49,303.07</u>
<u>0.00</u>	<u>(57,183.50)</u>	<u>(57,183.50)</u>
(220,337.54)	(57,183.50)	(277,521.04)
188,658.62	0.00	188,658.62
60,218.00	0.00	60,218.00
45,392.67	8,455.32	53,847.99
13,793.87	0.00	13,793.87
10,600.00	0.00	10,600.00
<u>61,980.00</u>	<u>(61,980.00)</u>	<u>0.00</u>
<u>380,643.16</u>	<u>(53,524.68)</u>	<u>327,118.48</u>
160,305.62	(110,708.18)	49,597.44
<u>1,982,935.05</u>	<u>1,300,287.91</u>	<u>3,283,222.96</u>
\$ <u><u>2,143,240.67</u></u>	\$ <u><u>1,189,579.73</u></u>	\$ <u><u>3,332,820.40</u></u>



VILLAGE OF HILLMAN  
Montmorency County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET  
March 31, 2006

	SPECIAL REVENUE FUNDS			
	GENERAL	MAJOR STREETS	LOCAL STREETS	U.D.A. GRANT
ASSETS:				
Cash	\$ 131,929.16	\$ 38,207.20	\$ 77,808.95	\$ 123,513.63
Delinquent taxes receivable	34,766.15	0.00	0.00	0.00
Other receivables	0.00	0.00	0.00	501,900.20
Prepaid expenses	0.00	0.00	0.00	0.00
Due from other Funds	0.00	0.00	0.00	0.00
Due from State	8,814.00	8,592.16	3,597.15	0.00
	<u>175,509.31</u>	<u>46,799.36</u>	<u>81,406.10</u>	<u>625,413.83</u>
TOTAL ASSETS	\$ <u>175,509.31</u>	\$ <u>46,799.36</u>	\$ <u>81,406.10</u>	\$ <u>625,413.83</u>
LIABILITIES:				
Accounts payable	\$ 7,876.48	\$ 0.00	\$ 0.00	\$ 0.00
Due to other funds	1,750.73	0.00	0.00	0.00
Accrued expenses	1,992.14	0.00	0.00	0.00
Payable to other governments	2,038.54	0.00	0.00	0.00
TOTAL LIABILITIES	<u>13,657.89</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
FUND BALANCES:				
Reserved for debt retirement	0.00	0.00	0.00	0.00
Unreserved, reported in:				
General Fund	161,851.42	0.00	0.00	0.00
Special Revenue Funds	0.00	46,799.36	81,406.10	625,413.83
Capital Projects Funds	0.00	0.00	0.00	0.00
Total Fund Balances	<u>161,851.42</u>	<u>46,799.36</u>	<u>81,406.10</u>	<u>625,413.83</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>175,509.31</u>	\$ <u>46,799.36</u>	\$ <u>81,406.10</u>	\$ <u>625,413.83</u>

The accompanying notes are an integral part of the financial statements.

CAPITAL PROJECTS FUNDS		OTHER NON MAJOR GOVERNMENTAL FUNDS		TOTAL
INDUSTRIAL PARK	CAPITAL PROJECT			
\$ 401,669.08	\$ 8,430.86	\$ 12,971.02	\$	794,529.90
0.00	0.00	0.00		34,766.15
0.00	0.00	0.00		501,900.20
0.00	0.00	0.00		0.00
0.00	0.00	2,906.95		2,906.95
0.00	0.00	0.00		21,003.31
<u>\$ 401,669.08</u>	<u>\$ 8,430.86</u>	<u>\$ 15,877.97</u>	<u>\$</u>	<u>1,355,106.51</u>
\$ 27,086.20	\$ 1,299.22	\$ 98.99	\$	36,360.89
1,156.22	0.00	0.00		2,906.95
0.00	0.00	0.00		1,992.14
0.00	0.00	0.00		2,038.54
<u>28,242.42</u>	<u>1,299.22</u>	<u>98.99</u>		<u>43,298.52</u>
0.00	0.00	15,164.24		15,164.24
0.00	0.00	0.00		161,851.42
0.00	0.00	614.74		754,234.03
373,426.66	7,131.64	0.00		380,558.30
<u>373,426.66</u>	<u>7,131.64</u>	<u>15,778.98</u>		<u>1,311,807.99</u>
<u>\$ 401,669.08</u>	<u>\$ 8,430.86</u>	<u>\$ 15,877.97</u>	<u>\$</u>	<u>1,355,106.51</u>

VILLAGE OF HILLMAN  
Montmorency County, Michigan

GOVERNMENTAL FUNDS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS  
March 31, 2006

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$	\$1,311,807.99
Amounts reported for governmental activities in the statement of net assets are different because -			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:			
Capital assets at cost			\$1,613,464.77
Accumulated depreciation			(\$447,663.18)
Long term liabilities are not due and payable in the current period and , therefore, they are not reported in the governmental funds balance sheet.			
General Obligation Bond -			
Due within one year			(\$20,000.00)
Due in more than one year			(\$380,000.00)
An Internal Service fund is used by the Village to charge equipment rental costs to individual funds. The assets and liabilities of the Internal Service Fund is included in governmental activities of the statement of net assets			
Cash	\$25,312.71		
Capital assets	\$249,078.89		
Accumulated depreciation	(\$207,654.51)		
Accounts Payable	(\$1,106.00)		
Net adjustment			<u>\$65,631.09</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		\$	<u>\$2,143,240.67</u>

VILLAGE OF HILLMAN  
Montmorency County, Michigan

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Year ended March 31, 2006

	SPECIAL REVENUE FUNDS			
	GENERAL	MAJOR STREETS	LOCAL STREETS	U.D.A. GRANT
REVENUES:				
Taxes	\$ 180,905.11	\$ 0.00	0.00	\$ 0.00
State Grants	60,218.00	46,873.83	19,623.59	0.00
Contributions	0.00	0.00	0.00	0.00
Charges for Services	255.00	0.00	0.00	0.00
Fines and Forfeits	0.00	0.00	0.00	0.00
Interest and Rentals	35,385.17	2,186.66	1,235.93	32,035.87
Other Revenue	<u>1,227.50</u>	<u>0.00</u>	<u>3,291.15</u>	<u>0.00</u>
Total Revenues	277,990.78	49,060.49	24,150.67	32,035.87
EXPENDITURES:				
Legislative	28,146.28	0.00	0.00	0.00
General Government	143,777.09	0.00	0.00	76.00
Public Safety	21,474.35	0.00	0.00	0.00
Public Works	29,680.21	24,902.79	18,043.68	0.00
Cultural and Recreation	39,253.05	0.00	0.00	0.00
Capital Outlay	14,303.01	0.00	0.00	0.00
Other	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>276,633.99</u>	<u>24,902.79</u>	<u>18,043.68</u>	<u>76.00</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,356.79	24,157.70	6,106.99	31,959.87
OTHER FINANCING SOURCES (USES):				
Bond Proceeds	0.00	0.00	0.00	0.00
Transfer from other funds	70,000.00	0.00	11,718.46	0.00
Transfer to other funds	<u>(5,000.00)</u>	<u>(11,718.46)</u>	<u>0.00</u>	<u>(25,000.00)</u>
Total Other Financing Sources (Uses)	<u>65,000.00</u>	<u>(11,718.46)</u>	<u>11,718.46</u>	<u>(25,000.00)</u>
NET CHANGE IN FUND BALANCES	66,356.79	12,439.24	17,825.45	6,959.87
FUND BALANCE - APRIL 1, 2005	<u>95,494.63</u>	<u>34,360.12</u>	<u>63,580.65</u>	<u>618,453.96</u>
FUND BALANCE - MARCH 31, 2006	\$ <u><u>161,851.42</u></u>	\$ <u><u>46,799.36</u></u>	<u><u>81,406.10</u></u>	\$ <u><u>625,413.83</u></u>

The accompanying notes are an integral part of the financial statements.

CAPITAL PROJECTS FUNDS		OTHER NON MAJOR GOVERNMENTAL FUNDS		TOTAL
INDUSTRIAL PARK	CAPITAL PROJECTS			
\$ 0.00	0.00	\$ 7,753.51	\$ 188,658.62	
0.00	45,300.00	0.00	172,015.42	
0.00	0.00	0.00	0.00	
0.00	0.00	2,113.16	2,368.16	
0.00	0.00	0.00	0.00	
2,086.62	0.00	1,208.96	74,139.21	
10,600.00	1,020.00	0.00	16,138.65	
12,686.62	46,320.00	11,075.63	453,320.06	
0.00	0.00	0.00	28,146.28	
3,000.00	0.00	0.00	146,853.09	
0.00	0.00	0.00	21,474.35	
0.00	0.00	6,912.56	79,539.24	
0.00	0.00	0.00	39,253.05	
82,996.18	64,341.90	0.00	161,641.09	
0.00	0.00	0.00	0.00	
85,996.18	64,341.90	6,912.56	476,907.10	
(73,309.56)	(18,021.90)	4,163.07	(23,587.04)	
400,000.00	0.00	0.00	400,000.00	
0.00	25,000.00	5,005.00	111,723.46	
0.00	0.00	(8,025.00)	(49,743.46)	
400,000.00	25,000.00	(3,020.00)	461,980.00	
326,690.44	6,978.10	1,143.07	438,392.96	
46,736.22	153.54	14,635.91	873,415.03	
\$ 373,426.66	7,131.64	\$ 15,778.98	\$ 1,311,807.99	

VILLAGE OF HILLMAN  
Montmorency County, Michigan

GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES  
Year Ended March 31, 2006

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 438,392.96

Amounts reported for governmental activities in the statement  
of activities are different because -

Governmental funds report capital outlays as expenditures  
while in the statement of activities, these costs are allocated  
over their estimated lives as depreciation:

Depreciation expense	(34,915.65)
Capital asset purchases capitalized	161,641.09

Long term debt proceeds are current financial resources to  
governmental funds but increases liabilities in the statement of  
net assets.  
Bond proceeds received in current year

(400,000.00)

An Internal Service fund is used by the Village to charge equipment rental  
costs to individual funds. The net revenue of the Internal Service fund  
is reported with governmental activities in the statement of activities  
net of amount allocated to business-type activities.

Change in Net Assets	<u>(4,812.78)</u>
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CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 160,305.62

VILLAGE OF HILLMAN  
Montmorency County, Michigan

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
March 31, 2006

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Cooling Pond Fund	TOTAL	
<u>ASSETS:</u>					
Current Assets:					
Cash	\$ 105,079.93	\$ 24,883.45	\$ 55,983.99	\$ 185,947.37	\$ 25,312.71
Accounts receivable	7,296.83	7,264.90	4,899.72	19,461.45	0.00
Other receivables	0.00	0.00	0.00	0.00	0.00
Prepays	0.00	0.00	0.00	0.00	0.00
Total Current Assets	112,376.76	32,148.35	60,883.71	205,408.82	25,312.71
Noncurrent Assets:					
Restricted cash	15,500.00	15,000.00	0.00	30,500.00	0.00
Capital Assets:					
Land	23,600.00	25,400.00	0.00	49,000.00	0.00
Equipment	75,897.91	93,727.54	40,614.33	210,239.78	249,078.89
Water and sewer systems	1,674,510.92	946,149.20	270,251.00	2,890,911.12	0.00
Accumulated depreciation	(1,165,935.53)	(634,138.82)	(180,416.94)	(1,980,491.29)	(207,654.51)
Total Noncurrent Assets	623,573.30	446,137.92	130,448.39	1,200,159.61	41,424.38
Total Assets	735,950.06	478,286.27	191,332.10	1,405,568.43	66,737.09
<u>LIABILITIES:</u>					
Current Liabilities					
Accounts payable	492.53	619.78	1,540.09	2,652.40	1,106.00
Accrued interest	2,814.38	283.50	0.00	3,097.88	0.00
Accrued expenses	377.89	860.53	0.00	1,238.42	0.00
Current portion revenue bonds	16,000.00	6,000.00	0.00	22,000.00	0.00
Total Current Liabilities	19,684.80	7,763.81	1,540.09	28,988.70	1,106.00
Noncurrent Liabilities					
Revenue bonds payable	170,000.00	17,000.00	0.00	187,000.00	0.00
Total Noncurrent Liabilities	170,000.00	17,000.00	0.00	187,000.00	0.00
Total Liabilities	189,684.80	24,763.81	1,540.09	215,988.70	1,106.00
<u>NET ASSETS:</u>					
Invested in capital assets net of related debt	422,073.30	408,137.92	130,448.39	960,659.61	41,424.38
Restricted for debt retirement	15,500.00	15,000.00	0.00	30,500.00	0.00
Unrestricted	108,691.96	30,384.54	59,343.62	198,420.12	24,206.71
Total Net Assets	\$ 546,265.26	\$ 453,522.46	\$ 189,792.01	\$ 1,189,579.73	\$ 65,631.09

Reconciliation of Government Wide Statement of Net Assets:

Net assets of business-type activities	\$ 1,189,579.73
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VILLAGE OF HILLMAN  
Montmorency County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
Year Ended March 31, 2006

	<u>Business Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Fund</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Cooling Pond Fund</u>	<u>TOTAL</u>	
OPERATING REVENUES:					
Charges for Services	\$ 77,676.39	\$ 96,516.44	\$ 76,398.35	\$ 250,591.18	\$ 27,921.68
Late fees	2,027.29	2,247.94	0.00	4,275.23	0.00
Total Operating Revenues	79,703.68	98,764.38	76,398.35	254,866.41	27,921.68
OPERATING EXPENSES:					
Personal Services	60,738.28	31,757.55	0.00	92,495.83	0.00
Contractual Services	1,105.50	993.36	0.00	2,098.86	0.00
Repairs and Maintenance	11,277.94	48,056.09	0.00	59,334.03	12,984.37
Utilities	3,894.04	6,005.81	17,904.28	27,804.13	0.00
Supplies and other	7,375.34	13,566.14	454.74	21,396.22	7,240.08
Depreciation	60,657.47	31,239.65	8,736.26	100,633.38	13,161.27
Total Operating Expenses	145,048.57	131,618.60	27,095.28	303,762.45	33,385.72
Operating Income	(65,344.89)	(32,854.22)	49,303.07	(48,896.04)	(5,464.04)
NONOPERATING REVENUES(EXPENSES)					
Interest Income	3,913.58	3,115.66	1,426.08	8,455.32	0.00
Sale of assets	0.00	0.00	0.00	0.00	651.26
Interest Expense	(10,091.46)	(1,446.00)	0.00	(11,537.46)	0.00
Total Nonoperating Expenses	(6,177.88)	1,669.66	1,426.08	(3,082.14)	651.26
Income before contributions and transfers	(71,522.77)	(31,184.56)	50,729.15	(51,978.18)	(4,812.78)
Capital contributions	1,750.00	1,500.00	0.00	3,250.00	0.00
Transfers In	8,025.00	0.00	0.00	8,025.00	0.00
Transfers Out	(5.00)	0.00	(70,000.00)	(70,005.00)	0.00
Change in Net Assets	(61,752.77)	(29,684.56)	(19,270.85)	(110,708.18)	(4,812.78)
Net Assets Beginning of Year	608,018.03	483,207.02	209,062.86	1,300,287.91	70,443.87
Net Assets End of Year	\$ 546,265.26	\$ 453,522.46	\$ 189,792.01	\$ 1,189,579.73	\$ 65,631.09
Change in Net Assets business type activities				<u>-110,708.18</u>	

The accompanying notes are an integral financial statements.



VILLAGE OF HILLMAN  
Montmorency County, Michigan

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
Year Ended March 31, 2006

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Cooling Pond Fund	TOTAL	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 86,339.26	\$ 106,688.73	\$ 95,904.63	\$ 288,932.62	\$ 0.00
Cash received from other funds for services	0.00	0.00	0.00	0.00	27,921.68
Other operating cash receipts	0.00	0.00	0.00	0.00	0.00
Cash payments to suppliers	(32,310.95)	(67,304.13)	(18,197.21)	(117,812.29)	(20,642.09)
Cash payments to employees for services	(48,786.71)	(27,968.30)	0.00	(76,755.01)	0.00
Cash payments to other funds for services	(3,395.01)	(5,854.73)	0.00	(9,249.74)	0.00
Net cash provided (used) by operating activities	1,846.59	5,561.57	77,707.42	85,115.58	7,279.59
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>					
Transfers from other funds	8,025.00	0.00	0.00	8,025.00	0.00
Transfers to other funds	(5.00)	0.00	(70,000.00)	(70,005.00)	0.00
Net cash provided (used) by noncapital financing activities	8,020.00	0.00	(70,000.00)	(61,980.00)	0.00
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of capital assets	(7,353.94)	0.00	0.00	(7,353.94)	(13,415.00)
Proceeds from sale of capital assets	0.00	0.00	0.00	0.00	651.26
Interest paid on bonds	(10,091.46)	(1,446.00)	0.00	(11,537.46)	0.00
Principal payments on bonds	(16,000.00)	(6,000.00)	0.00	(22,000.00)	0.00
Contributed capital	1,750.00	1,500.00	0.00	3,250.00	0.00
Net cash provided (used) by capital and related financing activities	(31,695.40)	(5,946.00)	0.00	(37,641.40)	(12,763.74)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest on investments	3,913.58	3,115.66	1,426.08	8,455.32	0.00
Net increase (decrease) in cash	(17,915.23)	2,731.23	9,133.50	(6,050.50)	(5,484.15)
Cash beginning of year	122,995.16	22,152.22	46,850.49	191,997.87	30,796.86
Cash end of year	\$ 105,079.93	\$ 24,883.45	\$ 55,983.99	\$ 185,947.37	\$ 25,312.71
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
Income (loss) from operations	\$ (65,344.89)	\$ (32,854.22)	\$ 49,303.07	\$ (48,896.04)	\$ (5,464.04)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:					
Depreciation	60,657.47	31,239.65	8,736.26	100,633.38	13,161.27
Change in assets and liabilities:					
(Increase) decrease in due from other funds	0.00	0.00	0.00	0.00	0.00
(Increase) decrease in accounts receivable	6,635.58	7,924.35	19,506.28	34,066.21	0.00
Increase (decrease) in due to other funds	0.00	0.00	0.00	0.00	0.00
Increase (decrease) in accounts payable	153.77	(423.50)	161.81	(107.92)	(417.64)
Increase (decrease) in accrued expenses	(255.34)	(324.71)	0.00	(580.05)	0.00
Net Cash Provided (Used) in Operating Activities	\$ 1,846.59	\$ 5,561.57	\$ 77,707.42	\$ 85,115.58	\$ 7,279.59

The accompanying notes are an integral part of the financial statements.

VILLAGE OF HILLMAN  
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A: DESCRIPTION OF REPORTING ENTITY:

The Village of Hillman is located in Montmorency County and operates under an elected Board of Trustees (4 Trustees and Village President) and provides services to its residents in many areas. The financial statements of the Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below. For the year ended March 31, 2005, the Village has implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial presentation format has been implemented.

B: REPORTING ENTITY:

A. Financial Reporting Entity

The Village's basic financial statements include the accounts of all Village operations. The criteria for including organizations as component units within the Village's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Village holds the corporate powers of the organization
- the Village appoints a voting majority of the organization's board
- the Village is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Village
- there is fiscal dependency by the organization on the Village

Based on the aforementioned criteria, the Village of Hillman has no component units.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of Village. The effect of the interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identified with a specific program. Program revenue includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges

VILLAGE OF HILLMAN  
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

NOTE 1. SUMMAY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fund Financial Statements:

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following major governmental funds:

General Fund -

General Fund is the main operating fund of the Village. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Major Street and Local Street Funds -

Major Street and Local Street Funds are legally mandated funds to account for specific proceeds of revenue from the Michigan Department of Transportation and to account for the legally restricted expenditures of those funds related to the maintenance and construction of major and local roads within the Village.

VILLAGE OF HILLMAN  
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

NOTE 1. SUMMAY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

UDA Grant Fund -

UDA Grant Fund is the accounts for revenue and expenditures of promoting and loaning funds to local businesses and residents to improve or maintain their properties.

Capital Improvement Capital Projects Fund –

Capital Improvement Capital Projects Fund is used to account for funds received for purchase of land, improvements and construction of recreational facilities.

Industrial Park Capital Projects Fund –

Industrial Park Capital Projects Fund is used to account for improvements and expansion including infrastructure to the Village's industrial park.

Propriety Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The Village has presented the following major propriety funds:

Water Fund -

Water Fund is used to account for the provision of water services to the residents of the Village. Activities of the fund include administration, operation and maintenance of the water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt. Costs are financed through charges to customers.

Sewer Fund -

Sewer Fund is used to account for the provision of sewer services to the residents of the Village. Activities of the fund include administration, operation and maintenance of the sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt. Costs are financed through charges to customers.

Cooling Pond Fund -

Cooling Pond Fund is used to account for cost and maintenance of a cooling pond used by Hillman Power Company, its sole customer.

Additionally, the Village reports an Internal Service Fund, which is used to account for use of large equipment used by various funds.

VILLAGE OF HILLMAN  
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

NOTE 1. SUMMAY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Propriety funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a propriety fund's principal ongoing operations. Operating expenses for the propriety funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for propriety funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned including unbilled water and sewer services, which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes as available if they are collected within 90 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, and charges for service, interest income and governmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the entity-wide financial statements. The Village defines capital assets as assets with an individual cost of more than \$1,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at

VILLAGE OF HILLMAN  
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

NOTE 1. SUMMAY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, land improvements and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-40 years
Land improvements	15-20 years
Vehicles	5-10 years
Furniture and other equipment	3-10 years

Compensated Absences - Employees are not allowed to accumulate vacation and sick pay and therefore, no amount as of March 31, 2006 has been recorded.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the Village's financial statements.

Accounting Change - Effective April 1, 2003, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34). Changes to the Village's financial statements as a result of GASB No. 34 are as follows: A Management's Discussion and Analysis (MD&A) section providing analysis of the Village's overall financial position and results of operations has been included. Entity-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Village's activities have been provided.

PROPERTY TAXES:

The Village's property taxes are levied and become a lien on each December 1st based on the taxable valuation of property located in the Village as of the preceding December 31st. These taxes are due on September 14 or they are added to the county delinquent tax rolls.

The Village's property tax revenues are recognized as revenues in the fiscal year levied to the extent they are measurable and available. The taxable valuation of Village properties totaled \$18,316,626 on which ad valorem taxes are levied consisting of 9.8558 mills for Village operating.

VILLAGE OF HILLMAN  
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Village to have its budget in place by April 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits entities to amend their budgets during the year. There were no significant amendments during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Village did not have significant expenditure budget variances.

Fund Deficits - The Village had no accumulated fund balance deficits.

NOTE 3. LONG-TERM DEBT:

The following is a summary of the debt outstanding in the Village as of March 31, 2006:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Revenue Bonds:				
Water Fund	1	5.00%	2010	23,000.00
Sewer Fund	2	5.00-9.45%	2016	186,000.00
General Obligation Bond	1	4.40 & 5.5%	2025	<u>400,000.00</u>
Total Long-Term Debt				<u>\$609,000.00</u>

The annual principal requirements for the years ending March 31, 2007 through 2025 for all debts outstanding as of March 31, 2006 are presented as supplemental information in the financial statements.

The following is a summary of long-term debt transactions of the Village for the year ended March 31, 2006:

	<u>Revenue Bond</u>	<u>General Obligation Bond</u>
Long term debt at April 1, 2005	\$ 231,000	\$ 0
Principle payments	22,000	0
Debt Proceeds	<u>0</u>	<u>400,000</u>
Balance March 31, 2006	<u>\$ 209,000</u>	<u>\$ 400,000</u>

VILLAGE OF HILLMAN  
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

NOTE 4. CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2006 was as follows:

	Balance April 1	Additions/ Completions	Retirements/ Adjustments	Balance March 31
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 552,248.68	\$ 82,996.18	\$ -	\$ 635,244.86
Construction in progress	<u>299,069.75</u>	<u>-</u>	<u>-</u>	<u>299,069.75</u>
Total capital assets not being depreciated	552,248.68	82,996.18	-	934,314.61
Capital assets being depreciated				
Buildings	298,662.41	64,341.90	-	363,004.31
Equipment	<u>537,506.73</u>	<u>27,718.01</u>	<u>-</u>	<u>565,224.74</u>
Total capital assets being depreciated	836,169.14	92,059.91	-	928,229.05
Less accumulated depreciation	<u>(607,240.77)</u>	<u>(48,076.92)</u>	<u>-</u>	<u>(655,317.69)</u>
Total capital assets being depreciated, net	<u>228,928.37</u>	<u>43,982.99</u>	<u>-</u>	<u>272,911.36</u>
Governmental activities capital assets, net	<u>\$1,080,246.80</u>	<u>\$ 126,979.17</u>	<u>\$ -</u>	<u>\$ 1,207,225.97</u>
	Balance April 1	Additions/ Completions	Retirements/ Adjustments	Balance March 31
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 49,000.00	\$ -	\$ -	\$ 49,000.00
Capital assets being depreciated				
Equipment	210,239.78	-	-	210,239.78
Infrastructure – Water/Sewer system	<u>2,883,557.18</u>	<u>7,353.94</u>	<u>-</u>	<u>2,890,911.12</u>
Total capital assets being depreciated	3,093,796.96	7,353.94	-	3,101,150.90
Less accumulated depreciation	<u>(1,879,857.91)</u>	<u>(100,633.36)</u>	<u>-</u>	<u>(1,980,491.27)</u>
Total capital assets being depreciated, net	<u>1,213,939.05</u>	<u>( 93,279.42)</u>	<u>-</u>	<u>1,120,659.63</u>
Business-Type activities capital assets, net	<u>\$ 1,262,939.05</u>	<u>\$ ( 93,279.42)</u>	<u>\$ -</u>	<u>\$ 1,169,659.61</u>

Depreciation expense was charged as direct expense to programs/functions as follows:

Governmental activities:

General government	\$ 8,398.49
Public works	16,255.97
Cultural and recreation	<u>23,423.46</u>
Total depreciation expense-	
Governmental activities	<u>48,076.92</u>

Business-type activities:

Water	31,239.65
Sewer	60,657.47
Cooling Pond	<u>8,736.26</u>
Total depreciation expense-	
Business-type activities	<u>100,633.36</u>



VILLAGE OF HILLMAN  
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

NOTE 5. PROPERTY TAXES RECEIVABLE:

The delinquent real property taxes of the Village are purchased by the County of Montmorency. The County intends to sell tax notes, the proceeds of which will be used to pay the Village for these property taxes. These taxes have been recorded as revenue for the current year.

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Payable</u>	<u>Fund</u>	<u>Interfund Receivable</u>
General Fund	\$ 1,750.73	DDA	\$ 1,750.73
Industrial Park	<u>1,156.22</u>	Debt Retirement	<u>1,156.22</u>
	<u>\$ 2,906.95</u>		<u>\$ 2,906.95</u>

NOTE 7. PROPERTY TAX ADMINISTRATION FEE:

P.A. 503 of 1982 provides that local units can only use property tax administration fees collected to offset the costs of assessing, review, appeals, and tax collections.

During the year ended March 31, 2006 the Village collected the following fees and incurred the following expenses:

REVENUES:	
Property tax administration	\$ 1,797.26
EXPENDITURES:	
Treasurer	<u>4,573.18</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>\$ (2,775.92)</u>

NOTE 8. RESTRICTED CASH:

The Village has a loan with Rural Economic and Community Services, formerly Farmers Home Administration, which requires a reserve of cash maintained for loan default. The Village has complied with the loan requirement by maintaining a \$15,500.00 balance in their reserve account.

NOTE 9. CASH AND CASH EQUIVALENTS AND INVESTMENTS:

The Village's cash and cash equivalents consist of currency on hand, bank checking accounts and savings accounts. Investments consist of pooled investments funds and are stated at cost, which approximates market value.

VILLAGE OF HILLMAN  
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

NOTE 10. LOANS RECEIVABLE:

The Village has loaned out funds to several village businesses and nonprofit organizations for various eligible rehabilitation and preservation activities. The proceeds for these loans came from a grant the Village received from the United States Department of Housing and Urban Development. Repayment terms and interest rates vary with each loan with interest rates ranging from 4% to 6.5%.

NOTE 11. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A. LEGAL COMPLIANCE:

Act 217, PA 1982, authorizes the Village to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loans associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan.

All Village deposits were in compliance with state statutes.

B. DEPOSITS:

Deposits are carried at cost. Deposits of the Village are maintained at Bank One, Citizens Bank, and Independent Bank, federally insured banks; and Community Financial Credit Union, a federally insured credit union.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's cash deposit at March 31, 2006 are as follows:

<u>Deposit</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 400,000.00
Insured (FDUIC)	100,000.00
Uninsured and Uncollateralized	<u>536,289.98</u>
Total	<u>\$ 1,036,289.98</u>

VILLAGE OF HILLMAN  
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

NOTE 12. RISK MANAGEMENT:

The Village is exposed to various risks of loss related to property loss, errors, omissions, employee injuries, medical and workman's compensation benefits.

The Village has purchased commercial insurance for medical benefit claims, general liability, errors and omissions, physical damage for equipment, buildings and contents and workers compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years. There was no reduction in coverage obtained through commercial insurance during the past year.

REQUIRED SUPPLEMENTAL INFORMATION

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# ***Quast, Janke and Company, P.C.***

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*David G. Gwizdala, C.P.A.*

*American*

*Michigan*

## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

May 24, 2006

Village Council  
Village of Hillman  
Hillman, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Hillman as of and for the year ended March 31, 2006, which collectively comprise the Village of Hillman's basic financial statements and have issued our report thereon dated May 24, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the Village of Hillman's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village of Hillman's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level risk that the misstatement amounts would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no

Village of Hillman  
May 24, 2006  
Page 2

matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee and management of the Village Council and State of Michigan, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

QUAST, JANKE AND COMPANY

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Certified Public Accountants, P.C.

VILLAGE OF HILLMAN  
Montmorency County, Michigan

COMBINING BALANCE SHEET  
NON MAJOR GOVERNMENTAL FUNDS  
March 31, 2006

		Debt Service Funds		
	Airport	GO	DDA	
	Fund	Debt	Debt	TOTAL
<u>ASSETS</u>				
Cash	\$ 713.73	\$ 5.01	\$ 12,252.28	\$ 12,971.02
Due from State	0.00	0.00	0.00	0.00
Due from Other Funds	0.00	1,156.22	1,750.73	2,906.95
Total Assets	\$ <u>713.73</u>	\$ <u>1,161.23</u>	\$ <u>14,003.01</u>	\$ <u>15,877.97</u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 98.99	\$ 0.00	\$ 0.00	\$ 98.99
Fund balance	<u>614.74</u>	<u>1,161.23</u>	<u>14,003.01</u>	<u>15,778.98</u>
	\$ <u>713.73</u>	\$ <u>1,161.23</u>	\$ <u>14,003.01</u>	\$ <u>15,877.97</u>

VILLAGE OF HILLMAN  
Montmorency County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON MAJOR GOVERNMENTAL FUNDS  
Year ended March 31, 2006

	Airport Fund	Debt Service Funds Gen. Oblig. Debt	DDA Debt	TOTAL
REVENUES:				
State Grants	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Property Taxes	0.00	0.00	7,753.51	7,753.51
Charges for Services	2,113.16	0.00	0.00	2,113.16
Interest and Rentals	0.00	1,156.23	52.73	1,208.96
Other Revenues	0.00	0.00	0.00	0.00
Total Revenues	2,113.16	1,156.23	7,806.24	11,075.63
EXPENDITURES:				
Public Works	6,912.56	0.00	0.00	6,912.56
Cultural and Recreation	0.00	0.00	0.00	0.00
Capital Outlay	0.00	0.00	0.00	0.00
Total Expenditures	6,912.56	0.00	0.00	6,912.56
EXCESS OF REVENUES OVER EXPENDITURES	(4,799.40)	1,156.23	7,806.24	4,163.07
OTHER FINANCING SOURCES:				
Transfers from (to) other funds	5,000.00	5.00	(8,025.00)	(3,020.00)
NET CHANGES IN FUND BALANCE	200.60	1,161.23	(218.76)	1,143.07
FUND BALANCE - APRIL 1, 2005	414.14	0.00	14,221.77	14,635.91
FUND BALANCE - MARCH 31, 2006	\$ 614.74	\$ 1,161.23	\$ 14,003.01	\$ 15,778.98



VILLAGE OF HILLMAN  
Montmorency County, Michigan

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
Year Ended March 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 160,000.00	\$ 160,000.00	\$ 180,905.11	\$ 20,905.11
State Grants	62,000.00	61,030.00	60,218.00	(812.00)
Charges for Services	100.00	100.00	255.00	155.00
Interest, Rentals and Royalties	21,000.00	21,000.00	35,385.17	14,385.17
Other Revenue	250.00	250.00	1,227.50	977.50
Total Revenues	243,350.00	242,380.00	277,990.78	35,610.78
EXPENDITURES:				
Legislative	25,194.00	28,194.00	28,146.28	47.72
GENERAL GOVERNMENT-				
President	5,300.00	5,300.00	5,431.94	(131.94)
City Manager	41,054.00	42,854.00	42,808.76	45.24
Elections	0.00	0.00	0.00	0.00
Clerk	19,359.00	21,359.00	20,831.42	527.58
Treasurer	4,779.00	4,779.00	4,573.18	205.82
Village Hall	72,928.00	72,928.00	70,131.79	2,796.21
Public Safety - Fire	25,812.00	21,812.00	21,474.35	337.65
Public Works-Sanitation	19,000.00	19,000.00	19,926.95	(926.95)
Street Lighting	10,000.00	10,000.00	9,753.26	246.74
Parks and Recreation	46,924.00	45,924.00	39,253.05	6,670.95
Capital Outlay	19,000.00	16,230.00	14,303.01	1,926.99
Total Expenditures	289,350.00	288,380.00	276,633.99	11,746.01
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	70,000.00	70,000.00	70,000.00	0.00
Transfer to other funds	(6,000.00)	(6,000.00)	(5,000.00)	(1,000.00)
Net Other Financing Sources (Uses)	64,000.00	64,000.00	65,000.00	(1,000.00)
NET CHANGE IN FUND BALANCE	18,000.00	18,000.00	66,356.79	48,356.79
FUND BALANCE - BEGINNING OF YEAR	95,494.63	95,494.63	95,494.63	0.00
FUND BALANCE - END OF YEAR	\$ 113,494.63	\$ 113,494.63	\$ 161,851.42	48,356.79

VILLAGE OF HILLMAN  
Montmorency County, Michigan

MAJOR STREET FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
Year Ended March 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
State Grants	48,000.00	48,000.00	46,873.83	5,213.23
Interest and Rentals	100.00	100.00	2,186.66	297.99
Total Revenues	48,100.00	48,100.00	49,060.49	5,511.22
EXPENDITURES:				
Construction	40,000.00	20,000.00	0.00	20,000.00
Routine Maintenance	21,652.00	21,652.00	14,427.07	7,224.93
Winter Maintenance	4,500.00	4,500.00	4,352.03	147.97
Traffic Services	1,000.00	1,000.00	256.32	743.68
Administration	4,845.00	5,900.00	5,867.37	32.63
Other	4,000.00	3,000.00	0.00	3,000.00
Capital Outlay	4,000.00	0.00	0.00	0.00
Total Expenditures	79,997.00	56,052.00	24,902.79	31,149.21
EXCESS REVENUES OVER EXPENDITURES	(31,897.00)	(7,952.00)	24,157.70	34,187.41
OTHER FINANCING SOURCES (USES)				
Transfer to local street	(12,000.00)	(12,000.00)	(11,718.46)	446.69
Excess (deficiency) of revenues over expenditures and other uses	(43,897.00)	(19,952.00)	12,439.24	34,634.10
FUND BALANCE - BEGINNING OF YEAR	34,360.12	34,360.12	34,360.12	0.00
FUND BALANCE - END OF YEAR	\$ (9,536.88)	\$ 14,408.12	\$ 46,799.36	\$ 34,634.10

VILLAGE OF HILLMAN  
Montmorency County, Michigan

U.D.A. FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
Year Ended March 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Interest	\$ 27,727.00	\$ 27,727.00	\$ 32,035.87	\$ (2,276.28)
Total Revenues	<u>27,727.00</u>	<u>27,727.00</u>	<u>32,035.87</u>	<u>(2,276.28)</u>
EXPENDITURES:				
General Government	<u>0.00</u>	<u>1,000.00</u>	<u>76.00</u>	<u>500.00</u>
Excess Revenues over Expenditures	27,727.00	26,727.00	31,959.87	(2,776.28)
OTHER FINANCING SOURCES (USES)				
Transfer to capital improvements	<u>(20,000.00)</u>	<u>(25,000.00)</u>	<u>(25,000.00)</u>	<u>0.00</u>
Excess (deficiency) of revenues over expenditures and other uses	7,727.00	1,727.00	6,959.87	(2,776.28)
FUND BALANCE - BEGINNING OF YEAR	<u>618,453.96</u>	<u>618,453.96</u>	<u>618,453.96</u>	<u>0.00</u>
FUND BALANCE - END OF YEAR	\$ <u><u>626,180.96</u></u>	\$ <u><u>620,180.96</u></u>	\$ <u><u>625,413.83</u></u>	\$ <u><u>0.00</u></u>

VILLAGE OF HILLMAN  
Montmorency County, Michigan

LOCAL STREET FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
Year Ended March 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
State Grants	19,000.00	19,000.00	19,623.59	623.59
Miscellaneous	0.00	0.00	3,291.15	3,291.15
Interest and Rentals	100.00	100.00	1,235.93	1,135.93
Total Revenues	19,100.00	19,100.00	24,150.67	5,050.67
EXPENDITURES:				
Construction	35,000.00	35,000.00	0.00	35,000.00
Routine Maintenance	23,253.00	23,253.00	13,807.19	9,445.81
Winter Maintenance	3,200.00	4,500.00	3,860.34	639.66
Traffic Services	1,000.00	1,000.00	376.15	623.85
Administration	0.00	0.00	0.00	0.00
Other	4,000.00	3,000.00	0.00	3,000.00
Capital Outlay	4,000.00	0.00	0.00	0.00
Total Expenditures	70,453.00	66,753.00	18,043.68	48,709.32
EXCESS REVENUES OVER EXPENDITURES	(51,353.00)	(47,653.00)	6,106.99	(53,759.99)
OTHER FINANCING SOURCES (USES)				
Transfer from major street	12,000.00	12,000.00	11,718.46	281.54
Excess (deficiency) of revenues over expenditures and other uses	(39,353.00)	(35,653.00)	17,825.45	53,478.45
FUND BALANCE - BEGINNING OF YEAR	63,580.65	63,580.65	63,580.65	0.00
FUND BALANCE - END OF YEAR	\$ 24,227.65	\$ 27,927.65	\$ 81,406.10	\$ 53,478.45

VILLAGE OF HILLMAN  
Montmorency County, Michigan

CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
Year Ended March 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
State Grants	19,000.00	19,000.00	45,300.00	26,300.00
Donations	0.00	0.00	1,020.00	1,020.00
Interest and Rentals	100.00	100.00	0.00	(100.00)
Total Revenues	19,100.00	19,100.00	46,320.00	27,220.00
EXPENDITURES:				
Grist Mill Construction	60,000.00	262,000.00	64,341.90	197,658.10
Other	0.00	0.00	0.00	0.00
Total Expenditures	60,000.00	262,000.00	64,341.90	197,658.10
EXCESS REVENUES OVER EXPENDITURES	(40,900.00)	(242,900.00)	(18,021.90)	(224,878.10)
OTHER FINANCING SOURCES (USES)				
Transfer from UDA Fund	25,000.00	25,000.00	25,000.00	0.00
Excess (deficiency) of revenues over expenditures and other uses	(15,900.00)	(217,900.00)	6,978.10	224,878.10
FUND BALANCE - BEGINNING OF YEAR	153.54	153.54	153.54	0.00
FUND BALANCE - END OF YEAR	\$ (15,746.46)	\$ (217,746.46)	\$ 7,131.64	\$ 224,878.10

VILLAGE OF HILLMAN  
Montmorency County, Michigan

INDUSTRIAL PARK FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
Year Ended March 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
State Grants	19,000.00	19,000.00	0.00	(19,000.00)
Sale of land	0.00	0.00	10,600.00	10,600.00
Interest and Rentals	100.00	100.00	2,086.62	1,986.62
Total Revenues	19,100.00	19,100.00	12,686.62	(6,413.38)
EXPENDITURES:				
Industrial Park Improvements	60,000.00	262,000.00	82,996.18	179,003.82
Other	0.00	3,000.00	3,000.00	0.00
Total Expenditures	60,000.00	265,000.00	85,996.18	179,003.82
EXCESS REVENUES OVER EXPENDITURES	(40,900.00)	(245,900.00)	(73,309.56)	(172,590.44)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	400,000.00	400,000.00	400,000.00	0.00
Excess (deficiency) of revenues over expenditures and other uses	359,100.00	154,100.00	326,690.44	172,590.44
FUND BALANCE - BEGINNING OF YEAR	46,736.22	46,736.22	46,736.22	0.00
FUND BALANCE - END OF YEAR	\$ 405,836.22	\$ 200,836.22	\$ 373,426.66	\$ 172,590.44

## OTHER SUPPORTING INFORMATION

VILLAGE OF HILLMAN  
Montmorency County, Michigan

WATER FUND  
 SCHEDULE OF INDEBTEDNESS  
March 31, 2006

TYPE OF ISSUE: Revenue Bonds  
 PURPOSE OF ISSUE: To improve, enlarge and extend the Village's water system  
 AMOUNT OF ISSUE: \$171,000.00  
 INTEREST RATE: 5.00%

Date	January 1		July 1	
	Interest	Principal	Interest	Total
2006	0.00	0.00	575.00	575.00
2007	575.00	6,000.00	425.00	7,000.00
2008	425.00	6,000.00	275.00	6,700.00
2009	275.00	6,000.00	125.00	6,400.00
2010	<u>125.00</u>	<u>5,000.00</u>	<u>0.00</u>	<u>5,125.00</u>
	1,400.00	\$ 23,000.00	\$ 1,400.00	\$ 25,800.00



VILLAGE OF HILLMAN  
Montmorency County, Michigan

SEWER FUND  
 SCHEDULE OF INDEBTEDNESS  
March 31, 2006

TYPE OF ISSUE: Revenue Bonds  
 PURPOSE OF ISSUE: To construct sanitary and storm sewer improvements in Villange  
 AMOUNT OF ISSUE: \$80,000.00  
 INTEREST RATE: 5.50% to 9.45%

Date	May 1	November 1		Total
	Interest	Principal	Interest	
2006	1,375.00	5,000.00	1,375.00	7,750.00
2007	1,237.50	5,000.00	1,237.50	7,475.00
2008	1,100.00	5,000.00	1,100.00	7,200.00
2009	962.50	5,000.00	962.50	6,925.00
2010	825.00	5,000.00	825.00	6,650.00
2011	687.50	5,000.00	687.50	6,375.00
2012	550.00	5,000.00	550.00	6,100.00
2013	412.50	5,000.00	412.50	5,825.00
2014	275.00	5,000.00	275.00	5,550.00
2015	<u>137.50</u>	<u>5,000.00</u>	<u>137.50</u>	<u>5,275.00</u>
	7,562.50	\$ 50,000.00	\$ 7,562.50	\$ 65,125.00

VILLAGE OF HILLMAN  
Montmorency County, Michigan

SEWER FUND  
 SCHEDULE OF INDEBTEDNESS  
March 31, 2006

TYPE OF ISSUE: Revenue Bonds  
 PURPOSE OF ISSUE: To construct a sewage disposal system  
  
 AMOUNT OF ISSUE: \$315,000.00  
 INTEREST RATE: 5.00%

Date	January 1		July 1	Total
	Interest	Principal	Interest	
2006	0.00	0.00	3,400.00	3,400.00
2007	3,400.00	11,000.00	3,125.00	17,525.00
2008	3,125.00	12,000.00	2,825.00	17,950.00
2009	2,825.00	12,000.00	2,525.00	17,350.00
2010	2,525.00	13,000.00	2,200.00	17,725.00
2011	2,200.00	14,000.00	1,850.00	18,050.00
2012	1,850.00	14,000.00	1,500.00	17,350.00
2013	1,500.00	15,000.00	1,125.00	17,625.00
2014	1,125.00	15,000.00	750.00	16,875.00
2015	750.00	15,000.00	375.00	16,125.00
2016	<u>375.00</u>	<u>15,000.00</u>	<u>0.00</u>	<u>15,375.00</u>
	19,675.00	\$ 136,000.00	\$ 19,675.00	\$ 175,350.00

VILLAGE OF HILLMAN  
Montmorency County, Michigan

GENERAL OBLIGATION BOND  
 SCHEDULE OF INDEBTEDNESS  
March 31, 2006

TYPE OF ISSUE: LTGO Bonds  
 PURPOSE OF ISSUE: Industrial Park Improvements

AMOUNT OF ISSUE: \$400,000.00  
 INTEREST RATE: 4.40% & 5.50%

Date	June 1		December 1	
	Interest	Principal	Interest	Total
2006	4,730.00	20,000.00	8,910.00	33,640.00
2007	8,910.00	10,000.00	8,635.00	27,545.00
2008	8,635.00	10,000.00	8,360.00	26,995.00
2009	8,360.00	15,000.00	7,947.50	31,307.50
2010	7,947.50	15,000.00	7,535.00	30,482.50
2011	7,535.00	15,000.00	7,122.50	29,657.50
2012	7,122.50	15,000.00	6,710.00	28,832.50
2013	6,710.00	20,000.00	6,160.00	32,870.00
2014	6,160.00	20,000.00	5,720.00	31,880.00
2015	5,720.00	20,000.00	5,280.00	31,000.00
2016	5,280.00	20,000.00	4,840.00	30,120.00
2017	4,840.00	20,000.00	4,400.00	29,240.00
2018	4,400.00	20,000.00	3,960.00	28,360.00
2019	3,960.00	20,000.00	3,520.00	27,480.00
2020	3,520.00	25,000.00	2,970.00	31,490.00
2021	2,970.00	25,000.00	2,420.00	30,390.00
2022	2,420.00	25,000.00	1,870.00	29,290.00
2023	1,870.00	25,000.00	1,320.00	28,190.00
2024	1,320.00	30,000.00	660.00	31,980.00
2025	<u>660.00</u>	<u>30,000.00</u>	<u>0.00</u>	<u>30,660.00</u>
	\$ 103,070.00	\$ 400,000.00	\$ 98,340.00	\$ 601,410.00

VILLAGE OF HILLMAN  
Montmorency County, Michigan

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Year ended March 31, 2006

REVENUES:

Taxes -	
Current tax levy	\$ 179,107.85
Tax admin fee	<u>1,797.26</u>
Total taxes	180,905.11
State Grants -	
State revenue sharing	60,218.00
Licenses and permits	
Building permits	165.00
Mobile home park	<u>90.00</u>
Total licenses and permits	255.00
Interest and Rentals -	
Interest	5,558.63
Royalties	13,793.87
Rents	<u>16,032.67</u>
Total Interest and Rentals	35,385.17
Other Revenue - Miscellaneous	<u>1,227.50</u>
Total Revenues	277,990.78

EXPENDITURES 276,633.99

EXCESS OF REVENUES OVER EXPENDITURES 1,356.79

OTHER FINANCING SOURCES (USES):

Transfer from Cooling Pond Fund	70,000.00
Transfer to Water Fund	0.00
Transfer to Airport Fund	(5,000.00)
Transfer to Sewer Fund	0.00
Transfer to Capital Improvement Fund	<u>0.00</u>

Net Other Financing (Uses) 65,000.00

NET CHANGE IN FUND BALANCE 66,356.79

FUND BALANCE - APRIL 1, 2005 95,494.63

FUND BALANCE - MARCH 31, 2006 \$ 161,851.42

VILLAGE OF HILLMAN  
Montmorency County, Michigan

GENERAL FUND  
DETAIL OF EXPENDITURES  
Year ended March 31, 2006

EXPENDITURES:

LEGISLATIVE:

Village Council

Trustees' salaries	\$ 9,642.00
Fringes and taxes	737.64
Legal	12,212.64
Audit	4,350.00
Supplies and other	<u>1,204.00</u>

Total Legislative	28,146.28
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GENERAL GOVERNMENT:

Chief Executive-

Salary	4,174.00
Fringes and taxes	<u>1,257.94</u>

Total Executive	5,431.94
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Manager

Wages	38,811.95
Fringes and taxes	2,856.71
Mileage and other	<u>1,140.10</u>

Total Manager	42,808.76
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Elections-

Wages	0.00
Supplies	0.00
Printing and publication	<u>0.00</u>

Total Elections	0.00
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Clerk -

Salary	19,077.70
Fringes and taxes	1,422.86
Supplies and other costs	<u>330.86</u>

Total Clerk	20,831.42
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Treasurer-

Salaries	3,620.00
Fringes and taxes	185.18
Supplies and other costs	<u>768.00</u>

Total Treasurer	4,573.18
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VILLAGE OF HILLMAN  
Montmorency County, Michigan

GENERAL FUND  
DETAIL OF EXPENDITURES (Continued)  
Year ended March 31, 2006

EXPENDITURES (CONT.):

GENERAL GOVERNMENT (CONT.):

Village Hall-	
Wages	14,012.97
Fringes and taxes	12,625.13
Supplies	7,572.37
Office	4,268.23
Equipment rental	4,108.06
Refuse	1,809.99
Insurance	15,339.08
Utilities	3,916.15
Repairs and maintenance	625.00
Rent	3,065.00
Telephone	2,789.81
Other costs	0.00
	<hr/>
Total Township Hall	70,131.79
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Total General Government	143,777.09

PUBLIC SAFETY:

Fire Department-	
Contracted fire protection	21,474.35

PUBLIC WORKS:

Sanitation-	
Refuse contract	19,926.95
Street Lighting-	9,753.26
	<hr/>
Total Public Works	29,680.21

RECREATION AND CULTURAL:

Parks and Recreation-	
Wages	14,770.40
Fringes and taxes	7,034.37
Utilities	4,909.46
Repairs and maint.	1,884.62
Equipment rental	4,302.53
Supplies and other	6,351.67
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Total Recreation and Cultural	39,253.05

CAPITAL OUTLAY:

Office Equipment	962.49
Park Improvements	13,340.52
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Total Capital Outlay	14,303.01
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Total Expenditures	276,633.99